

## **Governor's Brain Gain Plan**

### **The Issue**

In today's global economy, the knowledge and talent of Indiana's workers are critical to the state's economic success. Our colleges and universities play a crucial role in preparing Hoosier students to contribute to the state's economic development, but unfortunately, too many of our most talented students do not stay in Indiana after graduation. Our colleges and universities also must increasingly compete with other states to attract the best faculty researchers to their institutions.

- 45 percent of all Indiana public post-secondary students leave the state after graduating.
- 66 percent of all technically trained majors (engineering, technology, math, science) at Indiana's major research campuses leave the state after graduating.
- Indiana ranks 44<sup>th</sup> among states for share of population over 25 with a bachelor's degree
- Indiana ranks 23<sup>rd</sup> in the receipt of federal grants and contracts for research and development

### **The Governor's Plan**

Use the proceeds from franchising the Hoosier Lottery to take higher education in Indiana to the next level of excellence by attracting and retaining the best faculty and students. More specifically:

Use 60 percent of the proceeds to create a permanent endowment whose earnings would fund new Hoosier Hope Scholarships for outstanding Indiana high school graduates enrolling in fulltime degree programs at any private or public higher education institution in Indiana.

- Students attending four-year institutions would receive \$5,000 annually for tuition, fees, books and other expenses; those attending two-year institutions would receive \$2,500. The amount could increase over time.
- The awards would take the form of forgivable loans that would not have to be repaid if the student remains in Indiana to work for three years after graduation.
- Scholarships would be based on merit. Scores on the SAT or ACT exam and cumulative grade point average (GPA) would be key award criteria. Once awarded, students would be required to maintain a 3.0 GPA and complete studies in the time specified by their degree program.
- The State Student Assistance Commission of Indiana (SSACI) would administer the program. A specified number of scholarships would be reserved for those who enroll in a two-year degree program. Those students will be encouraged to continue studies by becoming automatically eligible for two more years of funding if they enroll in a four-year school.

Use 40 percent of the proceeds for a World-Class Scholars Fund to attract renowned researchers and scholars to Indiana's public colleges and universities. This fund would be amortized over 10 years, with the rate of spending varying from year to year.

- Grants would be used to create endowments to support salary and start-up costs. While grants would only be available to the state's public colleges and universities, collaborative proposals involving Indiana's private colleges would be allowed.
- Decisions regarding the award of grants from this fund would be made by a new Board, drawing from the private, public and academic sectors, and operating under the auspices of the Commission for Higher Education.
- All grants would require matching contributions from the institutions receiving them

## **Brain Drain vs. Brain Gain**

### *Why We Need to Invest in Indiana's Colleges and Universities*

- 45 percent of all Indiana public post-secondary students leave the state after graduating.
- Indiana exports one-third more graduates than it imports or retains, ranking 40<sup>th</sup> and trailing such neighboring states as Illinois, Michigan, Ohio, and Wisconsin.
- 66 percent of all technically trained majors (engineering, technology, math, science) at Indiana's major research campuses leave the state after graduating.
- Hoosiers ages 22 to 28 are six times more likely to emigrate than Hoosiers ages 29 to 36.
- Between 1995 and 2000, the net migration of Hoosiers ages 22 to 29 with a bachelor's degrees was minus 17,339.
- Indiana ranks 44<sup>th</sup> among states for share of population over age 25 with a bachelor's degree
- The key to earning more is learning more. Each year of education beyond high school enables an individual to increase annual earnings by 10 percent.
- Better education leads to better jobs. 44 of the state's 50 "Hoosier Hot Jobs" in greatest demand require an education beyond high school
- The Indiana Department of Workforce Development estimates that by 2014 there will be an additional 222,410 high-wage, high-demand Indiana jobs requiring a post-secondary degree.
- Indiana ranks 23<sup>rd</sup> in the receipt of federal grants and contracts for R&D
- Indiana has no research university ranked among the Top 50 national universities (U.S. News and World Report: America's Best Colleges 2007)
- Investment in higher education generates a great return for Hoosiers and Indiana. Indiana's four-year public institutions of higher education return \$5.61 per dollar of state investment.
- Since 1990, the Georgia legislature has invested some \$400 million in the Georgia Research Alliance. That has helped to attract more than 50 world-class scholars, leverage an additional \$2 billion in federal and private funding, create more than 5,000 new technology jobs, and generate some 120 new technology companies.

## Hoosier Hope Scholarships

1,700 Scholarships Annually

- 4-year degree = \$5,000/year
- 2-year degree = \$2,500/year

Merit-Based

Forgivable Loan

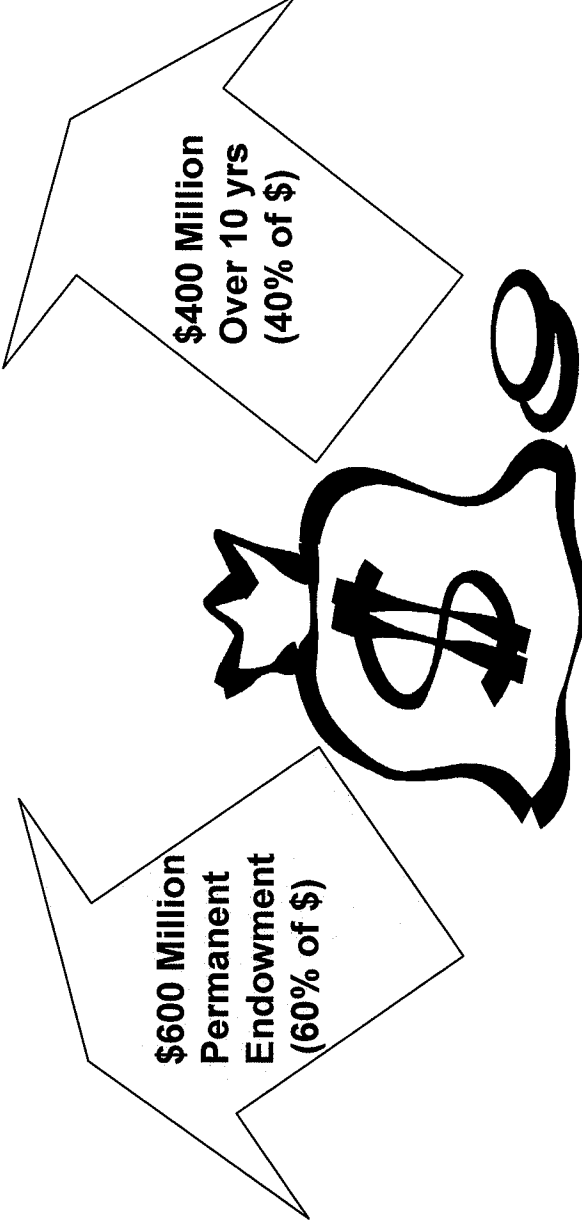
- No repayment if student works in-state for 3 years after graduation

## World-Class Scholars Fund

\$50 Million Annually for 10 yrs

- Create endowments for outstanding researchers and scholars
- Emphasis on science and tech

All Awards Matched by Universities



## Lottery Transaction Proceeds

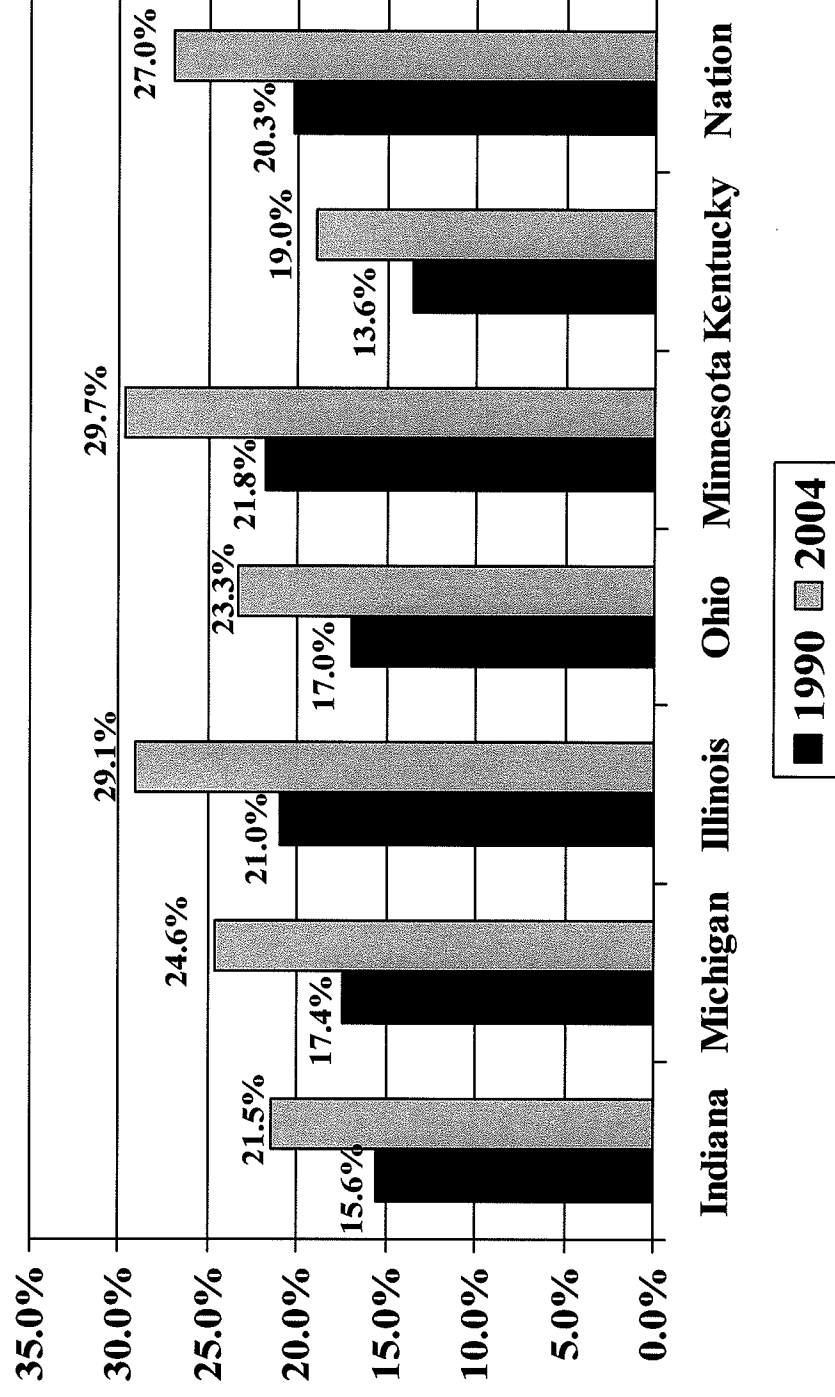
Assumptions: \$200M annual payment to state, 5% of revenue above \$700M, 30-year franchise

Estimated up-front fee: \$1 billion

EXAMPLE

# Brain Drain

Population aged 25 and over with a bachelor's degree or higher for Indiana and peer states

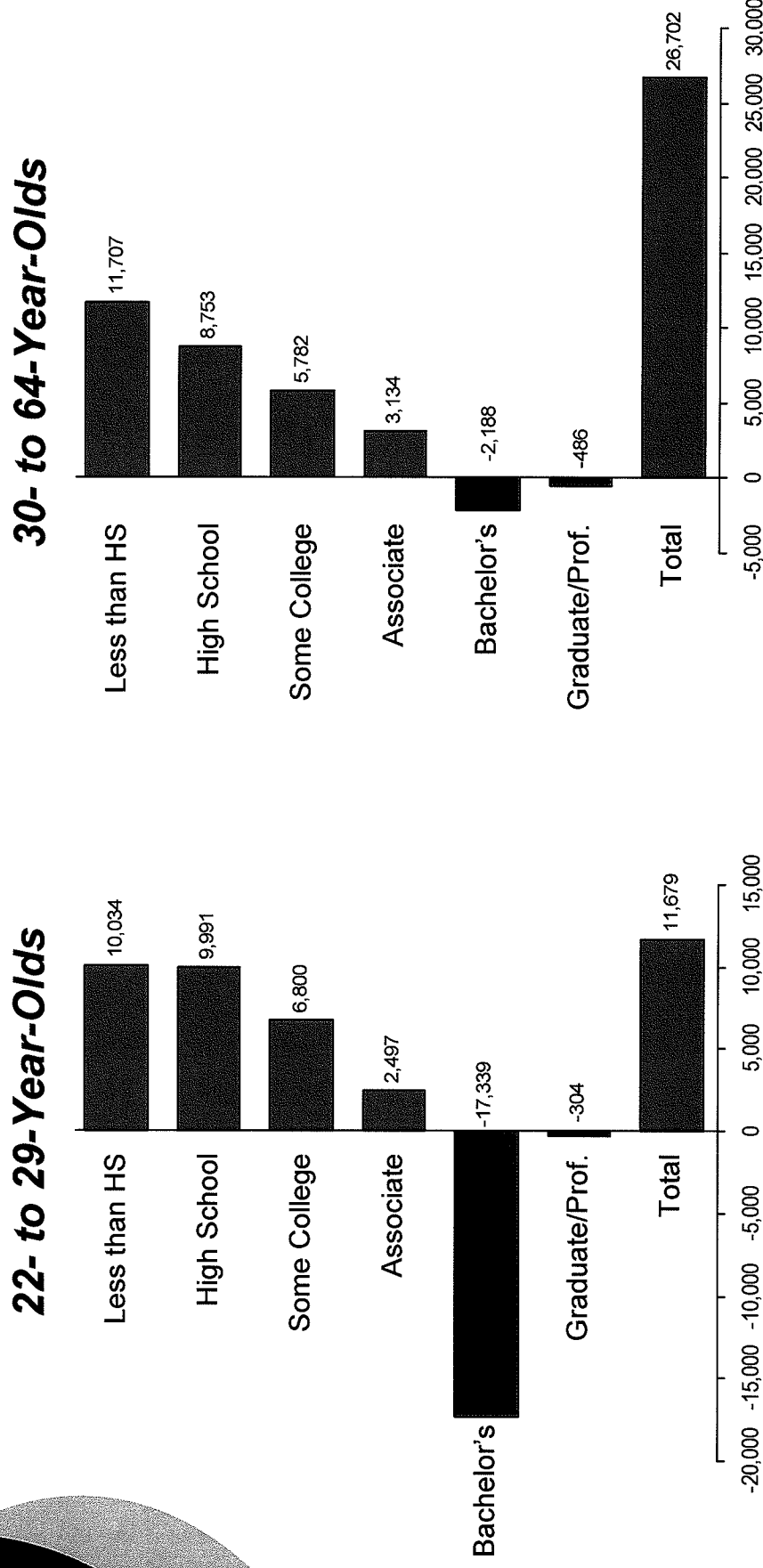


Source: For 1990 data, - U.S. Census Bureau, Decennial Census. For 2004 data - U.S. Census Bureau, American Community Survey..

# Brain Drain

## Indiana Net Migration

### 1995-2000



Source: U.S. Census, Public Use Microdata Samples, 2000